

*PD-AAC-947*

U N C L A S S I F I E D

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

PROJECT PAPER

YEMEN: Technical Services and  
Feasibility Studies (279-0083)

August 24, 1987

U N C L A S S I F I E D

## AGENCY FOR INTERNATIONAL DEVELOPMENT

## PROJECT DATA SHEET

## 1. TRANSACTION CODE

☐ A = Add  
☐ C = Change  
☐ D = Delete

Amendment Number

DOCUMENT  
CODE

3

## 2. COUNTRY/ENTITY

Yemen Arab Republic

## 4. BUREAU/OFFICE

Bureau for Asia and Near  
East, USAID/Yemen ANE

279

## 3. PROJECT NUMBER

279-0083

## 5. PROJECT TITLE (maximum 40 characters)

Technical Services &  
Feasibility Studies

## 6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY  
08 31 937. ESTIMATED DATE OF OBLIGATION  
(Under "B." below, enter 1, 2, 3, or 4)

A. Initial FY 87

B. Quarter 4

C. Final FY 92

## 8. COSTS (\$000 OR EQUIVALENT \$1 = )

A. FUNDING SOURCE	FIRST FY 87			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	100			4,000		4,000
(Grant)	( 100 )	( )	( )	( 4,000 )	( )	( 4,000 )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS	100			4,000	1,395	5,395

## 9. SCHEDULE OF AID FUNDING (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECIL CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN	190B	070						2,000	
(2) HE	590B	520				100		500	
(3) SDA	790B	520						1,500	
(4)									
TOTALS						100		4,000	

## 10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

100 520 570 840

## 12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	BF	BL	BS	BW			
B. Amount	1,000	1,500	500	250			

## 13. PROJECT PURPOSE (maximum 480 characters)

To improve the efficiency and effectiveness of YARG, USAID,  
and potentially other donor efforts to identify, implement,  
and evaluate development investments for both the public and  
private sectors.

## 14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY  
0 9 89 0 9 91 04 93

## 15. SOURCE/ORIGIN OF GOODS AND SERVICES

☐ 000 ☐ 941 ☐ Local ☐ Other (Specify)

## 16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a page PP Amendment)

Controller concurs in the methods of implementation and financing  
stated herein.

*Homi Jamsheer*  
Homi Jamsheer, Controller

17. APPROVED  
BY

Signature

Title

Director  
USAID/Yemen

Date Signed

MM DD YY  
08 24 8718. DATE DOCUMENT RECEIVED  
IN AID/W, OR FOR AID/W DOCU-  
MENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT PAPER

Technical Services and Feasibility Studies - 279-0083

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### List of Acronyms

AID - The U.S. Agency for International Development,  
Washington, D.C.

CDSS - Country Development Strategy Statement

CLCCD - Confederation of Local Councils for Community  
Development of Yemen

CPO - Central Planning Organization of Yemen

HC - Host Country

IBRD - International Bank for Reconstruction and  
Development

IESC - International Executive Service Corps

IMF - International Monetary Fund

MAF - Ministry of Agriculture and Fisheries, Yemen

MOMR - Ministry of Oil and Mineral Resources, Yemen

OYB - Operational Year Budget

TSFS - Technical Services and Feasibility Studies Project

USAID - United States Agency for International  
Development, Sana'a, Yemen Arab Republic

YARG - Yemen Arab Republic Government

List of Project Committee Members

Michael Lukomski	Deputy Director
Gerry Donnelly	Program Officer
Curt Wolters	Deputy Program Officer
Huda Taleb	Program Assistant, PRM
Homi Jamshed	Controller
Robert Mitchell	General Development Officer
Mohamed Najashi	Project Assistant, GDO
John Swanson	Agricultural Development Officer
Samir Zoghby	Human Resources Development Officer
Mark Krackiewicz	Regional Economist
Douglas Robertson	Regional Legal Advisor
Peter Shirk	Area Contracting Officer

Project Paper

279-0083

Technical Services and Feasibility Studies

The Project Summary and Recommendations

A. Borrower/Grantee: The Yemen Arab Republic Government (YARG)

B. Implementing Agency: The Central Planning Organization in consultation with other participating YARG and Yemeni private sector organizations.

C. Amount: The Project is authorized for \$4,000,000 in Development Assistance grant funds. Funds may be allocated to the project from the Section 103, Section 104, Section 105, and Section 106 accounts of the Foreign Assistance Act, as amended. Some of the \$4 million authorized may be provided by AID/W from funds budgeted under the Regional Project Development and Support Project, i.e., will be provided in addition to the approved Yemen Operational Year Budget. Whether or not such funds are available will be determined by ANE/DP on an annual basis.

D. Total Project Costs: The total cost is estimated to be \$5,395,000 including YARG and private sector contribution of U.S. Dollar equivalent of \$1,395,000 over the six year life of project.

E. Project Goal and Purpose:

Goal: To strengthen the Yemen Government's ability to implement its Third Five Year Plan, making effective use of aid resources within an enhanced policy framework.

Purpose: To improve the efficiency and effectiveness of YARG, USAID and potentially other donor efforts to identify, implement and evaluate development investments for both public and private sectors.

F. Summary Project Description:

This project provides technical assistance, limited commodity support, travel and short-term training to assist the Yemen Arab Republic to develop, implement and evaluate priority development activities contemplated within the 1987-1991 YARG Third Five Year Plan (TFYP). TSFS activities focus on (a) assisting the YARG to define and analyze its physical and natural environment, (b) upgrade development management capabilities, (c) facilitate policy analysis and dialogue, and (d) refining the policy and infrastructure environment governing

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investment and productive enterprises. Although the assistance is to the YARG, the project contains a significant private sector component. Moreover, by improving the way the YARG manages broadly based economic growth and development, the TSFS project is expected to benefit the private sector as well.

TSFS serves as an umbrella under which discrete activities are undertaken on a "work order" basis. The flexibility of this mechanism allows the YARG and USAID to respond promptly to urgent requests and to take advantage of unanticipated windows of opportunity as they arise during the life of the project. Most of these activities are typically small, low-cost, of short duration and difficult to program in advance because of their innovative nature or institutional context.

USAID's official counterpart in the YAR is the Central Planning Organization (CPO). Activity requests and proposals originating in YARG institutions will be submitted to the CPO, which then reviews the activity's merit and priority within the TFYP. Those requests meeting jointly determined (CPO and USAID) selection criteria are then forwarded to USAID for processing and implementation. In addition USAID may propose specific project activities, bearing in mind established activity selection criteria.

Grant funds will finance foreign exchange costs and possibly some local costs, required to conduct technical and economic studies, feasibility studies, project development, implementation and evaluation. No grant funds will finance construction costs. YARG rial contributions to this project will consist of a fixed percentage of FY87 PL480 commodity sales proceeds. In-kind contributions will consist of the provision of office space, counterpart personnel and basic in-country logistical support to U.S. and YAR consultants and experts.

G. Recommendation: USAID/Sana'a finds the Technical Services and Feasibility Studies project to be technically, administratively financially, and socially sound. Therefore, the project is recommended for FY 87 approval and obligation of funds.

Project Authorization

NAME OF COUNTRY: YEMEN ARAB REPUBLIC  
NAME OF PROJECT: TECHNICAL SERVICES AND FEASIBILITY STUDIES  
NUMBER OF PROJECT: 279-0083

1. Pursuant to Sections 103, 104, 105, and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a grant to the Yemen Arab Republic Government (the "Cooperating Country") of not to exceed four million United States Dollars (\$4,000,000) over a five year period from the date of authorization, subject to the availability of funds in accordance with A.I.D. allotment and OYB procedures, to help in financing foreign exchange and selected local currency costs of goods and services required for the project described in the following paragraph. The planned life of the project is six years from the date of initial obligation.
2. The project consists of assistance to the Cooperating Country in its development efforts through the provision of consulting services, short-term training and limited commodity support to further policy development, technology transfer, and private sector promotion, and also in assisting with the design, execution and evaluation of priority development projects, focused on encouraging production and productivity increases and institutional and human resource development.
3. The Project Agreement which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and delegation of authority shall be subject to the following essential terms and covenants and major conditions, together with such terms and other conditions as A.I.D. may deem appropriate.

A. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the project shall have their source and origin in the Cooperating Country or in the United States except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Yemen or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

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B. Conditions Precedent to Disbursement

Prior to the first disbursement under the Grant, or to the issuance by the Agency of documentation pursuant to which disbursement will be made, the Government will, except as the Parties may otherwise agree in writing, furnish to the Agency in form and substance satisfactory to the Agency:

a) a statement of the name of the person holding or acting in the office of the Government specified in Section 8.2 and of any additional representative, together with a specimen signature of each person specified in such statement;

b) evidence that an appropriate counterpart employee or employees have been designated or appointed by the Central Planning Organization to ensure that project objectives can be accomplished.

Kenneth H. Sherper  
Kenneth H. Sherper  
Director, USAID/Sana'a  
Date: August 24, 1987

Drafter: PRM: G Donneily

Clearances: CONT: HJamshed HJS

ACO: PShirk PS

RLA: DRobertson DR

DD: MFLukomski ML

g

## I. Project Rationale and Description

### A. Relationship to Host Country Priorities

Although the Yemen Government's Third Five Year Plan (1987-1991) has yet to be formally published as of this writing because of lack of agreement on specific investments to be financed under the Plan, most of its salient points have been known for some time. The Plan emphasizes the following objectives:

- The maximization of GDP and per capita income through optimal use of available resources.
- Increases in agricultural production to achieve food security.
- The exploitation of oil and mineral resources.
- An emphasis on educational services as Yemen's third highest priority (after agricultural and oil and mineral resource development) to produce the skilled labor force necessary to facilitate growth in the productive sectors of the economy.
- The use of modern irrigation methods, rational use of water, and increasing water supplies by building dams and drilling wells.
- The increased use of modern scientific methods and appropriate technologies.
- The increased production of cash crops and expansion of agro-industrial enterprises.
- The encouragement of savings and rationalization of consumption.

As can be seen from these objectives, the Yemen Government itself has established economic, policy, technical, and managerial objectives which will require significant inputs of expertise and technology transfer over the plan period. Moreover, it is clear that the accomplishment of many of these objectives will heavily depend upon the Government's ability to devise, construct and operate an economic policy framework supportive of technological change, development of managerial and financial capabilities, and ultimately, growth potential.

To effect this framework in the Yemeni context will require sophisticated analysis by the YARG of the interests of various regional, tribal, and religious groups affecting Yemeni economic policy. Many of these groups have been supportive of the recent pattern of increasing governmental intervention into

the economy, and will have a voice in the Government's choices regarding the allocation and use of oil resources. If Yemen's free-market oriented economic leaders are to succeed in reversing this trend at a later date, they will need access to the most accurate and relevant economic, technical and managerial analyses possible to demonstrate the validity of approaches which rely most heavily on private sector solutions supported by more efficient and effective public sector decision-makers and support services. To the extent possible, USAID needs to be prepared to provide these analyses, not only with respect to macroeconomic policies, but also with respect to sectoral and sub-sectoral policies and programs in strategic interest areas.

The project identified here is designed to provide a mechanism for USAID to make necessary analytical resources available to YARG, U.S. and other policy and decision makers in a timely fashion. Moreover, recognizing the importance of such a mechanism, the Yemen Government has, under P.L. 480, Title I, agreed to provide a percentage of Yemeni - owned local currency resources from the FY87 P.L.480 program for the conduct of an analytical agenda mutually agreeable to the U.S. and Yemen Governments.

#### B. Relationship to the AID Strategy Statement

The development of this project is a direct result of: a) analytical work undertaken by USAID/Sana'a to update and refine the country strategy developed in 1980, reaffirmed in 1986, and refined in the 1987 Action Plan to accommodate changing macroeconomic circumstances; b) concurrence by the ANE Bureau and others within the Agency on the analytical agenda required over the next several years to confirm the economic and financial viability of the Mission strategy in light of changing circumstances, and to develop a foundation for development of a USAID program strategy and project portfolio for the 1990's; c) Gramm-Rudman-Hollings budget cuts which have made it impossible for AID/W and USAID/Sana'a to identify additional resources which can be devoted to the agreed set of analyses and services; d) the need to identify low cost activities through which AID can leverage larger investments by the host country private and public sectors and by other donors; and e) interests of the Yemen Government and private sector in having ready and flexible access to U.S. technical and managerial talent for the solution of both short and longer-range development problems. Thus, while the USAID strategy emphasizes growth objectives and reduction of developmental constraints, particularly with respect to agricultural productivity, human resource development, water scarcity and health concerns, the inclusion of this project within the USAID portfolio will enable the Mission also to be responsive to YARG and private sector needs in selected other

areas as well, e.g., in oil and mineral development. It will also facilitate closer cooperation of USAID with the staffs of other donors in the analysis of Yemeni development issues and identification of project solutions.

### C. Project Rationale

The economy of the Yemen Arab Republic is in a transitional stage, from one of externally - fueled growth, to one of domestically fueled development. Remittances and donor aid, the bulwark of the economy since the early 1970's, are down significantly. For the foreseeable future, oil revenues will replace some, but not all, of these diminishing external resources. It is thus clear that Yemen's future development will depend to a much greater extent than in the past on the manner in which Yemen's public and private sectors manage the domestic policy environment and succeed in reducing or eliminating serious constraints to Yemen's development.

Yemen's prospects for growth in GNP per capita are hampered significantly by the country's high, unchecked population growth rate of 3-3.3%. This rate requires increased growth of 5-5.3% annually for the Yemen economy to produce a real 2% growth rate. Beyond this overriding concern are a plethora of constraints to development which may be classified as: economic, financial and policy issues; technological, managerial, institutional and human resource inadequacies; and limited availability of human and financial resources for the development of appropriate programs, and implementation mechanisms in support of growth.

In the process of developing its Third Five Year Plan (1987-1992) the Yemen Arab Republic Government (YARG) undertook a number of analyses designed to identify necessary investments, and to outline the parameters of budgetary needs for the coming fiscal years. USAID participated in some of these sectoral analysis, notably agriculture and education, by financing consulting services required for preparation of selected portions of the Plan. Notably, through S&T's IEES project, USAID financed an education sector assessment which served as the basis for the Ministry of Education's development of the education and training portion of the Plan. In addition, under the bilateral Agriculture Development Support Program, USAID financed Arabic-speaking consulting services for the Ministry of Agriculture and Fisheries' development of the agriculture portion of the Plan, as well as an analytical piece on the Yemeni private sector's role in agricultural development over the Plan period, which the Ministry has adapted for inclusion as a background document.

USAID's own strategic priorities are congruent with those outlined in the Third Five Year Plan. Specifically, USAID's

program portfolio is designed to encourage production and productivity increases in the agriculture sector to serve as the major vehicle for growth over the planning period, while also seeking to reduce some of the serious educational, health, and water scarcity constraints to growth in agriculture as well as other sectors. USAID recognizes that over the longer term, agriculture may not prove to be the only or even the best source of growth in production and incomes. Nevertheless, with over 80% of the Yemeni population still in rural areas, with evidence that there is significant potential for agricultural growth through expansion of areas under cultivation and improved yields, and in the absence of additional promising areas of growth resource potential other than oil, USAID has chosen to focus on agriculture now, while keeping its eyes open for other growth opportunities.

Where USAID and YARG thinking are increasingly differing, however, is on the economic policy framework necessary to encourage growth. Import and foreign exchange controls implemented over the last year have, in the Mission's view, established a pattern of YARG intervention into the economy which will be difficult to reverse once oil revenues begin to flow into Government coffers. Moreover, it is unclear what plans the YARG is now making for allocation of public sector foreign exchange earnings once oil exports commence. In addition, the YARG's recent refusal of a Structural Adjustment Facility offered by the International Monetary Fund and the IBRD, conditioned on further devaluation of the rial, additional measures to redress the budget deficit, and additional revenue generation efforts, coupled with the YARG's revaluation of the rial, lead to the conclusion that for the moment the Government has cold feet on implementing additional market solutions to facilitate longer term growth. In the absence of a positive policy framework, it is unlikely that Yemen will use its newly-found oil resources as wisely as possible to lay the foundation for longer term development.

Experience in Yemen and elsewhere has shown that policy dialogue has a better chance of success when empirical data exist to support recommended policy changes. This point was made particularly clear in the process of USAID-YARG negotiations on elements of the Mission's planned new Educational Development Support Project. In this instance, AID-financed surveys of the YARG's deployment of its expatriate primary school teacher force were able to lay the foundation for sectoral policy dialogue on resource utilization issues. The Mission believes that this is a lesson which can be effectively applied to dialogue in other sectors, as well as on broader macroeconomic issues.

Although there exists a need for the type of analytical services described previously, USAID's project portfolio is not

aligned effectively to allow for macroeconomic and cross-sectoral technical services, analyses, short-term training, and limited commodity support, or to respond to requests from the Yemeni public and private sectors for specific types of expertise. Moreover, various regional project mechanisms which exist have proven relatively unwieldy in rapidly delivering funding or expertise for certain types of activities. USAID/Sana'a thus believes that the initiation of the project described herein will not only provide a vehicle for joint U.S. - Yemeni pursuit of an analytical agenda, but may serve as a management tool by reducing the amount of AID/W and Mission staffing resources required to accomplish objectives and implement activities relating to public and private sector policies, technical and managerial inadequacies, and project design and evaluation.

#### D. Project Objectives

The goal of this project is to strengthen the Yemen Government's ability to implement its Third Five Year Plan, making effective use of oil resources within an enhanced policy framework. The purpose of the project is to improve the efficiency and effectiveness of YARG, USAID, and potentially other donors' efforts to identify, implement and evaluate development investments for both the public and private sectors. Activities under this project will address specific policy, project, and development management problems in a timely fashion with consultants, short-term training, and limited commodity support. Because specific activities to be financed cannot be identified in advance, it is not possible to quantify specific project outputs at this time. These will be determined during project implementation in accordance with criteria developed by the U.S. and Yemen Governments.

The project will foster an increased emphasis on macroeconomic and sectoral research, policy analysis and policy dialogue, focused on increasing production and productivity within the Yemen economy. Thus, it is expected to:

- a) provide the Mission with a better understanding of the dynamics, interrelationships and constraints within the Yemeni economy (a necessary precondition for identifying how changes in policy affect sectoral policies and/or performance of the economy as a whole);
- b) position the Mission to carry out collaborative analytical work with the YARG on economic and policy problems, so that the Mission can respond with empirical evidence to the latter's need for good advice in a timely manner;
- c) assist in the process of policy dialogue by providing data, descriptive and analytical information and recommendations on

policy related matters in order to help the YARG to better understand the implications of its current policies, or lack thereof;

d) position the Mission to better coordinate assistance with other donors;

e) provide valuable input into the development of program and project impact indicators; and

f) facilitate the attendance at conferences and workshops of selected YARG officials, and provide a mechanism for USAID sponsorship of conferences and workshops in Yemen on topics of special interest to AID.

g) provide critical information for a possible future shift in USAID's program strategy and program portfolio as existing projects end.

In addition, the project will provide the focal point for analysis and financing of Mission private sector enhancement activities which are not a part of other Mission projects. In particular, this project may enable the mission to conclude a cooperative agreement with the International Executive Service Corps for support of its program in Yemen similar to the mechanism used by USAID/Jordan for IESC work in that country. The project may also, if such support is ultimately determined desirable, undertake activities designed to support small-scale industrial development, particularly for agro-industry. It may give attention to enhancing the capabilities of the Federation of Yemeni Chambers of Commerce and Industry to serve as a coordinative organization for U.S.-Yemeni private sector relations. In addition, the project may, to the extent possible, provide limited financing for selected sectoral investment profiles and/or pre-feasibility studies for private sector investment.

Finally, the project is expected to finance project design activities, other than those for the agricultural sector which will be largely financed under the Core Subproject of the Agricultural Development Support Program. It will also enable the Mission to conduct cross-sectoral and sectoral evaluations, financial audits, and other reviews more specifically related to the implementation of sectoral and project activities.

#### E. Project Elements:

Because of the relatively small dollar amount estimated for the life of this project, it is undesirable that project design be overly restrictive in determining how funds will ultimately be spent.

The advantages of a flexible design for this project are:

- It offers an approach to dealing with development problems about which little is known and yet are of high priority to the host country and AID.
- It facilitates testing alternative schemes, technologies, etc. (i.e., applied research) and using the results of that testing in subsequent stages of the project.
- It encourages beneficiary participation over the course of the project, and increase host country identification ownership of the project.

Moreover, the flexible design of this project can allow analytical work and other activities necessary to take advantage of the flexible design aspects of other Mission projects, e.g. the Agricultural Development Support Program (279-0052) and Development Training III (279-0080). Specifically:

- It can shift attention and resources from elaborate design exercises to focus on project implementation, and provide a mechanism for adaptive re-design to target project outputs, measure achievement against established benchmarks and thus improve overall project performance and evaluation.
- It can provide the flexibility needed to identify necessary modifications in project implementation in highly unstable project environments.
- It can provide a vehicle for research and analysis on project issues not fully addressed in original project design and/or for which appropriate mechanisms are not available under the original project.

In general, the following project components are planned:

1. Analytical Agenda - Estimated \$2 million over project LOP (AID funds only). In addition, a minimum of \$1 million in Yemeni rials will be provided by the YARG from P.L. 480, Title I generations. "In-kind" contributions of the Yemeni rial equivalent of approximately \$145,000 will also be provided by the YARG for counterpart staff, office space, etc.

Following is the list of analytical agenda items which were identified in the FY 88 USAID Action Plan and Program Strategy Revision. Additional activities may be added to the list as identified by USAID or the Yemen Government.



- Labor Markets/Remittances
- Flow of Funds Model
- Financial Markets Reconnaissance
- Computer Model: Synthesis of Investment and Financial Variables
- Fertilizer Review
- Prices/Incentives/Interventions in Input/Commodity Markets
- Incentive/Disincentive Effect of Exchange Rate on Agricultural Production
- Credit Needs
- Environmental Degradation
- RAPID Update
- Private Sector Health Options

In 1987 dollars a typical study takes about four weeks and involves three consultants (2 US, 1 local) for an average cost per study of \$50,000. \$2 million over the six years LOP for research items on an evolving analytical agenda will accomodate 30-40 studies when factoring-in inflation over this periods; i.e., 5-6 studies per year. This seems manageable from the Mission's perspective.

2. Private Sector Promotion - Estimated \$1.5 million over project LOP (AID funds only). In addition, private sector rial contributions would be generated to share the cost of consulting services and any feasibility studies with a private sector focus, undertaken partially with project funding. These are estimated here at the Yemeni rial equivalent of \$250,000.

Following is an illustrative list of private sector promotion activities which may be undertaken under the project. Additional activities may be added to the list as identified by USAID, the Yemeni private sector, or the Yemen Government.

- IESC Grant
- Small-scale industries analysis
- Center for International Private Investment (CIPE)
- Marketing analysis for agricultural inputs
- Health Maintenance Organizations (HMOs)
- Social marketing of ORS, nutritional supplements, contraceptives

3. Project Development and Evaluations - Estimated \$500,000 over life of project. Illustrative activities which may be financed under the project include a cross-sectoral evaluation of USAID's participant training program, and project design work for a rural small-scale industries and/or marketing project. Additional activities will be selected by USAID, or at the request of the YARG.

## II. Cost Estimate and Financial Plan

### A. Cost Estimate

Total costs are expected to be \$4,000,000 contributed by USAID over the life of the project, and an estimated \$1.395 million in in-kind and local currency costs contributed by the YARG, largely through P.L. 480 generations, and the Yemeni private sector. At any time during the implementation of this project, USAID and the YARG may agree on a revised allocation of funds among the project elements.

Due to the nature of the project, not all activities have or can be identified at this time. Hence, inputs (consultants, equipment, short-term training, etc.) cannot be quantified with any of degree accuracy, although an illustrative budget by input category will be included in the Grant Agreement. Since the project will earmark funds by activity, most of which will be short-term (less than 12 months) inflation and contingency factors will not have any significant impact on the cost of the project.

### B. Financial Plan

USAID plans to obligate an initial amount of \$100,000 in Health funds for this project in FY 87. In FY 88, it is hoped that the OYB will be sufficient to allow the mission to obligate \$500,000-600,000 for the project. Obligations for future years will need to be determined based upon an assessment of project elements to be financed over the coming year. Although the authorized LOP will be \$4,000,000, to be expended over a six-year period, the TSFS project funding requirements will be reviewed annually, like other Mission projects.

Budgeting for individual items will be done by the responsible technical or other office. However, PRM, with the assistance of CONT, will maintain a master budget plan against which funds may be earmarked based upon proposals concurred in by the Senior Mission Review Committee. From time to time, requestors will be asked to revalidate the need for funds for which no scope of work, PIO/T or PIO/P has been received. The following is an illustrative budget:

#### Illustrative Budget

- |    |                                 |       |
|----|---------------------------------|-------|
| 1. | Technical Assistance            | 3,000 |
|    | a. Consultant Salaries          | 1,500 |
|    | b. Consultant Support,<br>e.g.: | 1,500 |

	a. per diem	
	b. transportation	
	c. expendable supplies	
	d. computer time	
	e. secretarial services	
2.	Commodity Support	250
3.	Training, e.g.:	500
	a. observation visits	
	b. short-term trng.	
	c. workshops/seminars	
4.	Evaluation and Other Costs	250
		<u>4,000</u>

#### Illustrative YARG Contribution

Local currency generations (P.L. 480, Title I)	\$1,000,000
Salaries of Counterparts	100,000
In-Country Per Diem/Counterparts	25,000
Office Space/Utilities	10,000
Transport and Fuel	10,000
	<u>\$1,145,000</u>
Private Sector Counterpart Funds	250,000
Total Yemeni Contribution	\$1,395,000

#### III. Implementation Plan

On the project level, the Senior Review Committee (D, DD, PRM, CONT, AGR, GDO and EHR representatives) approves internal requests for TSFS funding, as well as YARG requests for use of project funds. It is expected that most, if not all, YARG requests will fall under the jurisdiction of one of the above offices, which will present the proposal to the Senior Review Committee. The TSFS project officer in PRM is responsible for tracking earmarking documents, coordinating requests for activity funding, recommending activity de-earmarking and de-commitment, and preparing semi-annual status reports on planned earmarkings and de-earmarkings. The Controller's Office issues quarterly pipeline reports for the TSFS project, with each activity individually identified. Technical offices are responsible for implementation of their individual activities.

Financing methods and procurement procedures will be determined at the time an activity is approved. Handbook 11 Host Country Contracting procedures may be used when appropriate. Where host country contracting is not appropriate, USAID will directly contract with firms granted 8A and small business status, work orders under Indefinite Quantity Contracts (IQCs), Resource Support Services Agreements (RSSAs) or "buy-in" to central and regional projects and contracts. The Mission will actively encourage the use of disadvantaged and minority contractors under this project.

The Grant is expected to be authorized and executed in August, 1987. 60 days will be allowed for satisfaction of any Conditions Precedent, enabling initial disbursement to take place in the first quarter of FY 1988, unless AID otherwise agrees in writing. The Project Assistance Completion Date will be August, 1993, with the Terminal Disbursement Date nine months thereafter.

#### IV. Monitoring Plan

The TSFS project will be consistently monitored on the overall project level as well as on the individual activity level.

--Activities proposed for TSFS funds will be presented to the USAID Senior Review Committee for approval or disapproval, based upon general criteria established in the Grant Agreement and refined by that Committee.

--Once approved by the Committee, activity implementation will be documented by Project Implementation Letters, cables and action memos, PIOs and other implementing documents, each carrying its activity's number as assigned by the TSFS project officer.

--The Controller's Office issues quarterly pipeline reports on activity commitments and disbursements. Based on these reports, the TSFS project officer prepares semi-annual status reports on TSFS projects which include planned activities, de-earmarkings and decommitments.

--Technical officers monitor the implementation of individual activities through site visits, contractor's reports, discussions with host country counterparts and contractors, etc.

--At least twice a year, USAID and CPO will review TSFS progress and examine project selection and monitoring systems.

## V. Project Analyses

### 1. Economic Considerations

The diversity of anticipated project activities, many yet undetermined, makes it impossible to establish an internal rate of return, perform a demand/least cost analysis or in any other useful way determine social return to the project in advance. Individual activities will be examined for their social return, however, and the economic impact of the project may be assessed at the mid-point evaluation.

### 2. Financial

The financing mechanism to be used will be determined on a case by case basis in conformity with A.I.D. regulations. The methods of implementation and financing are listed in Annex V.

### 3. Social Technical and Administrative Analyses

Administratively, this is USAID/Sana'a's first TSFS project with the YARG. Thus, administrative arrangements will need to be carefully discussed with the YARG, particularly with respect to the provision of P.L. 480 rials to support project activities. Through the Central Planning Organization, USAID hopes to work with other Ministries of the YARG on individual project activities. Specific guidelines for the use of funds to support the private sector enhancement program will need to be negotiated with the YARG/CPO, and reflected in a Project Implementation Letter. Over time, the Mission will explore the possibility of establishment of a YARG coordinating committee for identification of and collaboration on specific TSFS activities.

Given the diversity of activities, and our present inability to define them, the social analysis can be discussed only in the most general terms and the technical analysis is not applicable for the project as a whole.

The project is expected to favorably affect most economic and social strata within Yemen through its overall emphasis on encouraging production and productivity increases and reduction of developmental constraints within the framework of the YARG's Third Five Year Plan. In addition, specific activities are expected to favorably affect specific target groups, e.g., the Yemeni small-scale businessmen, particularly in rural areas and those focusing on agro-industries. A major area which the USAID will seek to determine over the life of this project is the ability of the YARG to sustain and expand activities initiated under the TSFS project, and the likelihood that the impact of TSFS activities can become wider than originally anticipated.

#### 4. Planned Audit Coverage

In accordance with the provision of Policy Statement No. 6 as outlined in State 263873 dated September 5, 1984, USAID has evaluated the potential risks, assessed USAID's vulnerability and considered the need for special audit coverage beyond that usually afforded by the YARG and its implementing agencies, and we have concluded that plans for special audit coverage do not at this time appear to be warranted. As we feel that the probability that a special audit will be required is very low, we have decided that project funds should not be set aside for this purpose.

#### VI. Conditions and Covenants

The Central Planning Organization must nominate a person responsible for monitoring TSFS activities. In accordance with standard AID procedures, disbursement of funds under this grant will be conditioned on the receipt of a statement from the Central Planning Organization of the name(s) of the person(s) representing the YARG, and a specimen signature of each person so designated. In this context, the YARG will be required early in the project to agree to specific procedures for the commitment and expenditure of P.L. 480 funds in support of this project, including the designation of the official approving officer, with full authority to speak for the YARG.

Prior to USAID's issuance of any implementation letter allocating grant funds for the financing of a particular YARG-requested activity, the CPO will be required, when appropriate, to submit for USAID's review and approval: a request for the financing of the particular activity, including the objective and description of such activity, a budget estimate showing the contribution of the YARG for the activity, and a designation of the implementing Yemen government agency for the particular activity.

#### VII. Evaluation Arrangements

The TSFS project will be evaluated three times; first in Year 2 of the project, with an emphasis on procedures for selection and monitoring of the project activities and on collaborative relationships with the YARG. During the fourth year of the project the project will be evaluated to determine progress toward goal and purpose accomplishment, and recommendations for future administrative and managerial arrangements or sub-project selection. During the sixth year (or earlier, if additional funds are required over and above the \$4 million approved LOP) the project will be evaluated to determine the achievement of project goal and purpose, and the desirability of a follow-on project. It is likely that the Year 2 evaluation will be an in-house review, perhaps with AID/W

participation or that of another Mission with TSFS experience. The Year 4 and Year 6 evaluations will be outside reviews, funded from the TSFS project itself.

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UNCLAS SECTION 01 OF 02 STATE 208741

AIDAC

R.O. 12356: N/A

TACS: N/A

SUBJECT: YEMEN TECHNICAL SERVICES AND FEASIBILITY STUDIES (279-2093) - PROJECT COMMITTEE REVIEW

1. AMB BUREAU PROJECT COMMITTEE, WITH REPRESENTATION FROM PD, DP, MENA, AND TP, REVIEWED SUBJECT PROJECT DRAFT PID ON JUNE 25. FOLLOWING APLR PRESENTATION BY MISSION REPRESENTATIVE GARY DONNELLY, PROJECT COMMITTEE IDENTIFIED NO ISSUES WITH PROPOSED DESIGN AND RECOMMENDED THAT BOTH PID AND PP APPROVAL AUTHORITY BE DELEGATED TO USAID MISSION DIRECTOR. THIS CABLE REPRESENTS A7700 DELEGATION OF THAT AUTHORITY. PARAGRAPHS TWO THROUGH SIX SUMMARIZE PROJECT COMMITTEE DISCUSSION AND OFFER GUIDANCE FOR PID AND PP DEVELOPMENT. REQUEST MISSION KEEP BUREAU ADVISED AS TO PROGRESS OF PP DESIGN AND NOTIFY SHOULD MISSION FIND THAT IT IS UNABLE TO COMPLETE DESIGN AND NEGOTIATIONS IN TIME FOR FY 1987 OBLIGATION OF PROJECT FUNDS.

2. SCOPE OF PROJECT: GIVEN TRANSITIONAL STATUS OF MISSION STRATEGY FOR ACHIEVING INCREASED PRODUCTION AND PRODUCTIVITY IN THE YEMENI ECONOMY AND THE CHANGING YEMENI ECONOMIC SITUATION, PROJECT COMMITTEE CONCURRED WITH MISSION APPROACH OF NOT LIMITING SCOPE OF PROJECT

TO ONLY THOSE SECTORS IN WHICH MISSION IS NOW ACTIVE. AS PROPOSED, PROJECT SHOULD BE USED TO GAIN A FOOTHOLD IN SECTORS THAT MIGHT, IN THE FUTURE, BECOME MORE IMPORTANT IN THE MISSION STRATEGY AND TO TAKE ADVANTAGE OF OPPORTUNITIES TO INFLUENCE MACRO-ECONOMIC POLICY DIRECTION. PROJECT COMMITTEE SUGGESTS, HOWEVER, THAT WHEN SELECTING TOPICS FOR ANALYSIS OR STUDY, THE MISSION SHOULD ENSURE THAT IT HAS THE EXPERTISE AND RESOURCES OR, ALTERNATIVELY, ACCESS TO THE EXPERTISE AND RESOURCES THAT WILL ENABLE IT TO UNDERTAKE THE APPROPRIATE FOLLOW-UP ACTIONS. IN AREAS IN WHICH MISSION EXPERTISE IS LIMITED BUT MISSION AND TAFT INTEREST IS HIGH (E.G., PUBLIC SECTOR INVESTMENT), MISSION MAY WISH TO CONSIDER DEVELOPING LONG-TERM RELATIONSHIPS WITH SELECTED U.S. BASED CONSULTANTS.

WHILE CONCURRING WITH THE BROAD SCOPE OF THE PROJECT, AIDAC EXPECTS, OF COURSE, THAT SELECTION CRITERIA FOR PROJECT ACTIVITIES WILL BE TIED CLOSELY TO ACHIEVEMENT OF BRIDGING MISSION STRATEGIC OBJECTIVES OF INCREASED

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ACTION: USAID-2 INFO: AMB ECM

1 OF 2



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PRODUCTION AND PRODUCTIVITY. MID-TERM EVALUATION SHOULD FOCUS ATTENTION ON PROJECT'S RECORD IN THIS REGARD.

3. PDS FUNDING: DRAFT PID PROPOSED THAT ANNUAL PLANNING FIGURE FOR YEMEN OYR BE INCREASED BY DOLS. 200,000 IN EXCHANGE FOR FUNDS WHICH MISSION WOULD HAVE NORMALLY REQUESTED FROM PDS. BUREAU CANNOT GUARANTEE MULTIYEAR INCREMENT TO ANNUAL OYBS; LEVELS OF YEMEN PROGRAM AND BUREAU REGIONAL ACCOUNT WHICH CONTAINS PDS FUNDS CANNOT BE PRESERVED. IN SHORT, THE OYR AND THE PDS LEVEL FOR THE MISSION IS NO MORE OR LESS CERTAIN WITH THE TSFS PROJECT THAN WITHOUT IT. GIVEN THE PROJECT, AND THE MISSION'S ABILITY TO MEET PDS NEEDS THROUGH IT, MISSION WILL BE ACCORDED SAME STATUS AS OTHER USAIDS WITH TSFS PROJECTS, I.E., REGIONAL PDS FUNDS WILL BE AVAILABLE TO SUPPLEMENT THE OYR ONLY ON AN EXCEPTIONAL BASIS. ON THE POSITIVE SIDE, OF COURSE, IS MISSION'S CAPACITY TO SIGNIFICANTLY INCREASE LEVEL OF PDS-LIKE ACTIVITIES UNDER TSFS BY SO PROGRAMMING ITS OYR, INDEPENDENT OF CONSTRAINTS ON REGIONAL PDS FUNDS.

4. FUNCTIONAL ACCOUNTS: PROJECT COMMITTEE CONCURRED WITH MISSION POSITION THAT PROJECT AUTHORIZATION ACCOMMODATE ALL PA ACCOUNTS. IN PARALLEL DISCUSSION ON USE OF AGRICULTURE ACCOUNT FUNDS, MISSION REPRESENTATIVE ASSURED COMMITTEE THAT OBLIGATIONS TO SUBJECT PROJECT WOULD NOT JEOPARDIZE START-UP AND IMPLEMENTATION OF IRRIGATED FARM PRACTICES PROJECT. THIS IS CONSISTENT WITH PROGRAM WEEK GUIDANCE.

5. INSTITUTIONAL FRAMEWORK: PROJECT COMMITTEE BELIEVES THAT WELL-DESIGNED INSTITUTIONAL FRAMEWORK IS CRITICAL TO SUCCESS OF PROJECT. DURING PROJECT DEVELOPMENT, MISSION SHOULD WORK CLOSELY WITH CENTRAL PLANNING ORGANIZATION (CPO) TO BUILD A FRAMEWORK THAT IS BOTH PRACTICAL AND FLEXIBLE. INVOLVING THE CPO AS WELL AS ORGANIZATIONS SUCH AS THE CONFEDERATION OF YEMEN DEVELOPMENT ASSOCIATIONS IN SOME TYPE OF STEERING COMMITTEE COULD PROVIDE PROJECT WITH ACCESS AND RESOURCES THAT MIGHT NOT OTHERWISE BE AVAILABLE. EXPANDING THE NUMBER OF ACTORS, HOWEVER, INCREASES THE NEED DURING PP DESIGN TO CAREFULLY DEFINE RELATIONSHIPS AND RESPECTIVE RESPONSIBILITIES.

6. PROCUREMENT OF SERVICES: DRAFT PID INDICATED MISSION INTENTION TO ACQUIRE SERVICES OF INSC TO SUPPORT PRIVATE SECTOR PROMOTION ACTIVITIES BUT DID NOT PROVIDE A JUSTIFICATION FOR SOLE SOURCE PROCUREMENT. SHOULD USAID DECIDE TO MOVE FORWARD WITH A NON-COMPETITIVE

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Best Available Document

UNCLAS SECTION 02 OF 02 STATE 208741

AWARD TO INSC IT MUST HAVE AN ADEQUATE BASIS TO OVERCOME  
LEGAL AND POLICY PRESUMPTIONS IN FAVOR OF COMPETITION  
AND ENSURE THAT ALL NECESSARY JUSTIFICATIONS AND WAIVERS  
ARE IN PLACE. SHULTZ

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UNCLAS SECTION 02 OF 02 STATE 208741

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## 5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

### GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481(h)(1); FY 1986 Continuing Resolution Sec. 527. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully? Not applicable.
  2. FAA Sec. 481(h)(4). Has the President determined that the recipient country has not taken adequate steps to prevent (a) the processing, in whole or in part, in such country of narcotic and psychotropic drugs or other controlled substances, (b) the transportation through such country of narcotic and psychotropic drugs or other controlled substances, and (c) the use of such country as a refuge for illegal drug traffickers? Not applicable.
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- 3     FAA Sec. 620(c).     If     No.  
assistance is to a government,  
is the government liable as  
debtor or unconditional  
guarantor on any debt to a  
U.S. citizen for goods or  
services furnished or ordered  
where (a) such citizen has  
exhausted available legal  
remedies and (b) the debt is  
not denied or contested by  
such government?
4.     FAA Sec. 620(e)(1).     If     No.  
assistance is to a government,  
has it (including government  
agencies or subdivisions)  
taken any action which has the  
effect of nationalizing,  
expropriating; or otherwise  
seizing ownership or control  
of property of U.S. citizens  
or entities beneficially owned  
by them without taking steps  
to discharge its obligations  
toward such citizens or  
entities?
5.     FAA Sec. 620(a), 620(f), 620D;  
FY 1986 Continuing Resolution  
Sec. 512.     Is recipient     No.  
country a Communist country?  
If so, has the President  
determined that assistance to  
the country is important to  
the national interests of the  
United States? Will  
assistance be provided to  
Angola, Cambodia, Cuba, Iraq,  
Syria, Vietnam, Libya, or  
South Yemen? Will assistance  
be provided to Afghanistan  
without a certification?
6.     FAA Sec. 620(j).     Has the     No.  
country permitted, or failed  
to take adequate measures to  
prevent, the damage or  
destruction by mob action of  
U.S. property?

7. FAA Sec. 620(1). Has the country failed to enter into an agreement with OPIC? There is no OPIC agreement, although there are three current OPIC projects.
8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? No.
- (b) If so, has any deduction required by the Fishermen's Protective Act been made?
9. FAA Sec. 620(g); FY 1986 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill (or continuing resolution) appropriates funds? No.
10. FAA SEC. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances
- Not applicable.

11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
- Yes, 1967.
- Yes, 1972.
- Yes, April 20, 1974.
12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)
- This question was taken into account by the Administrator at the time of approval of the Agency's OYB.
13. FAA Sec. 620A. Has the government of the recipient country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism?
- No.
14. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?
- No.

15. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No.
16. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No.
17. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported illegally (or attempted to export illegally) from the United States any material, equipment, or technology which would contribute significantly to the ability of such country to manufacture a nuclear explosive device? No.

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18. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

This question was taken into account by the Administrator at the time of approval of the Agency's OYB.

19. FY 1986 Continuing Resolution Sec. 541.

Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No.

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

No.

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

No.

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20. FY 1986 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined as supporting or participating in the management of a program of coercive abortion on involuntary sterilization? No.

If assistance is from the population functional account, are any of the funds to be made available to family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services? Not applicable.

21. FY 1986 Continuing Resolution Sec. 529. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? No.

22. FY 1986 Continuing Resolution Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? No.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that No.

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Economic Support Fund  
Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

Not applicable.

## 5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only:  
B.1. applies to all projects funded with Development Assistance loans, and  
B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST  
UP TO DATE? HAS  
STANDARD ITEM  
CHECKLIST BEEN  
REVIEWED FOR THIS  
PROJECT?

### A. GENERAL CRITERIA FOR PROJECT

1. FY 1986 Continuing Resolution  
Sec. 524; FAA Sec. 634A.

Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.

CN Submitted 7/31/87.  
Expired 8/5/87.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

N.A.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

N.A.

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4. FAA Sec. 611(b); FY 1986  
Continuing Resolution Sec.  
501. If for water or water-related land resource construction, has project met the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.) N.A.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? N.A.
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. NO.
7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to:  
(a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. Project encourages free market solutions to economic issues and thus may ultimately support some or all of these items.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
- Project includes specific private sector enhancement element.
9. FAA Sec. 612(b), 636(h); FY 1986 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
- Funds are identified in FY 87 P.L. 480 Agreement.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
- NO.
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
- YES.
12. FY 1986 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?
- NO.

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program take into consideration the problem of the destruction of tropical forests?
- YES.
- No tropical forests in Yemen.
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?
- N.A.
15. FY 1986 Continuing Resolution Sec. 533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?
- NO.
16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?
- Participation of these organizations will be actively encouraged.
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B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance  
Project Criteria

- a. FAA Sec. 102(a), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status, (e) utilize and encourage regional cooperation by developing countries?

Project is expected to include activities to facilitate most, if not all, of these objectives.

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- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used? YES.
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? Some project elements are expected to emphasize these objectives.
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)? YES.
- e. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? YES.



f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

YES.

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

Project is supportive of the Yemen Government's Third Five Year Plan which includes these objectives.

2/2

2. Development Assistance Project  
Criteria (Loans Only) N.A.
- a. FAA Sec. 122(b).  
Information an conclusion on  
capacity of the country to  
repay the loan, at a  
reasonable rate of interest.
- b. FAA Sec. 620(d). If N.A.  
assistance is for any  
productive enterprise which  
will compete with U.S.  
enterprises, is there an  
agreement by the recipient  
country to prevent export to  
the U.S. of more than 20% of  
the enterprise's annual  
production during the life  
of the loan?
3. Economic Support Fund Project  
Criteria
- a. FAA Sec. 531(a). Will this N.A.  
assistance promote economic  
and political stability? To  
the maximum extent feasible,  
is this assistance  
consistent with the policy  
directions, purposes, and  
programs of part I of the  
FAA?
- b. FAA Sec. 531(c). Will N.A.  
assistance under this  
chapter be used for  
military, or paramilitary  
activities?
- c. ISDCA of 1985 Sec. 207.  
Will ESF funds be used to N.A.  
finance the construction of,  
or the operation or  
maintenance of, or the  
supplying of fuel for, a  
nuclear facility? If so,  
has the President certified

that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?

- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

N.A.

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? YES.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?? YES.
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N.A.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in N.A.) N.A.

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries? N.A.
- ~~6.~~ FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? NO.
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? YES.
- b

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? YES.
9. FY 1986 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? YES.

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? N.A.
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N.A.
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)? N.A.

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? N.A.
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N.A.
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? YES..
4. Will arrangements preclude use of financing:
  - a. FAA Sec. 104(f); FY 1986 Continuing Resolution Sec. 526. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo

YES.

sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

- b. FAA Sec. 488. To reimburse persons, in the form of cash payments, whose illicit drug crops are eradicated? YES.
- c. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? YES.
- d. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? YES.
- e. FAA Sec. 662. For CIA activities? YES.
- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? YES.



- g. FY 1986 Continuing Resolution, Sec. 503. YES.  
To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?
- h. FY 1986 Continuing Resolution, Sec. 505. YES.  
To pay U.N. assessments, arrearages or dues?
- i. FY 1986 Continuing Resolution, Sec. 506. YES.  
To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)?
- j. FY 1986 Continuing Resolution, Sec. 510. YES.  
To finance the export of nuclear equipment, fuel, or technology?
- k. FY 1986 Continuing Resolution, Sec. 511. YES.  
For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?
- l. FY 1986 Continuing Resolution, Sec. 516. YES.  
To be used for publicity or propaganda purposes within U.S. not authorized by Congress?

Mr. Kenneth Sherper  
USAID Mission Director  
Sana'a, Yemen Arab Republic



OFFICIAL  
TRANSLATION

No. 4075

September 1, 1987

In reference to what was included in the latest amendment to the P.L. 480 Title I Commodity Loan, in regard to studies that would be jointly undertaken by YARG and USG, and pursuant to our discussions regarding establishing the Technical Services and Feasibility Studies Project, we would like to express our concurrence to establish this project.

Please consider this memorandum as an official request to establish this project and to submit your proposals to us.

We hope that this proposal meets your acceptance.

DATE DUE	ACTION	REMARKS
9/13		
DIR/DD		✓
ACO		
AGR		
CON		
FHR		
EXO		
GEA		
GDO		
GSO		
PRM	✓	
CHRON		✓
RF		✓
ACTION TAKEN:		
DATE		
BY:		

Please accept our regards

Fatehy Salem

#### ANNEX 4

##### Bibliography

1. Technical Services/Feasibility Studies V,  
278-0266 - Jordan
2. Private Enterprises Technical Resources Assistance (PETRA),  
278-0277 - Jordan
3. Development Services and Training, Supplement No. 2,  
383-0044 - Sri Lanka
4. Project Design Fund,  
391-0470 - Pakistan
5. Emerging Problems of Development II,  
493-0341 - Thailand
6. Planning, Economics and Statistics for Agriculture,  
608-0182 - Morocco
7. USAID/Sana'a Country Development Strategy Statement  
FY 1987-91
8. USAID/Sana'a Action Plan and Strategic Revision, March, 1987
9. Yemen Arab Republic Second Five Year Plan, 1982-86
10. Yemen Arab Republic Documents Preparatory to Third Five Year  
Plan.
11. AID Handbook 3, Project Assistance
12. PID: NE Bureau Guidance, AA/NE memo dated March 10, 1982

## ANNEX 5

### METHODS OF IMPLEMENTATION AND FINANCING

The "US Direct Reimbursement/Payment Method" with appropriate modifications (i.e. advances to the host country when appropriate) will be the primary method of financing. USAID follows the same payment verification procedures for vouchers processed under Direct L/COMS as it does for vouchers under Direct Payments/Reimbursements. The Direct L/COM will be used when necessary to provide the guarantee required by supplier(s)/contractor(s). USAID does not anticipate the use of Bank L/COMS. However, a Bank L/COM will be used when circumstances so dictate. As the nature of the project does not lend itself to the use of Fixed Amount Reimbursement this method of financing will not be used. The USAID has also decided not to use FRLCs as it believes the Direct Payment Method affords greater control.

#### METHOD OF IMPLEMENTATION

#### METHOD OF FINANCING

TA - AID DIRECT INSTITUTIONAL CONTRACT

DIRECT L/COM  
BANK L/COM

TA - AID DIRECT PSC

DIRECT PAYMENT

TA - HC - PSCs

DIRECT PAYMENT  
HC-ADVANCE/LIQUID

COMMOD. - AID PROC.  
- PROC. AGT. CONT.  
- PURCHASE ORDERS

DIRECT L/COM  
BANK L/COM

COMMOD. - HC PROC.  
- PURCHASE ORDERS

HC-REIMBURSEMENT  
HC-ADVANCE/LIQUID  
DIRECT PAYMENT